Land Management Services

Annual Report 2000-2001

a Special Operating Agency

MINISTER OF TRANSPORTATION
AND GOVERNMENT SERVICES

Room 203
Legislative Building
Winnipeg, Manitoba, CANADA
R3C 0V8

July 13, 2001

The Honourable Peter M. Liba
Lieutenant Governor of Manitoba
Room 235 Legislative Building
Winnipeg MB R3C 0V8

May It Please Your Honour:

I have the honour of presenting the Annual Report of Land Management Services (LMS) for the fiscal year ended March 31, 2001.

LMS, formerly the Land Acquisition Branch was created in 1965 as part of the Department of Public Works, with the responsibility of bringing consistency and uniformity to the process of real estate acquisition by government. In 1993, the head office was decentralized from Winnipeg to Portage la Prairie while regional offices continue to be located in Brandon and Dauphin. Effective April 1, 1995, the Land Acquisition Branch was designated a Special Operating Agency using the operating name of Land Management Services.

As a Special Operating Agency, LMS has been commended for its past performances and achievements and continually strives to maintain its position as the supplier of choice for Centralized Real Estate Services.

Respectfully submitted,

Steve Ashton

Steve Ashton
Minister Responsible for
Land Management Services Agency

Manitoba

Deputy Minister of
Government Services

332 Legislative Building
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July 13, 2001

The Honourable Steve Ashton
Minister Responsible for the
Land Management Services Agency
Transportation and Government Services
Room 203, Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Minister:

I am pleased to submit, for your consideration, the Sixth Annual Report of the Land Management Services Agency for the fiscal year ended March 31, 2001.

The Agency has made positive progress in providing improvements to its operations, services and outstanding financial performance in the 2000/2001 fiscal year, while operating under the Special Operating Agency (SOA) initiative.

The Agency's Advisory Board is pleased with the success of the Agency and encouraged by the commitment of its employees and the support of its stakeholders.

Respectfully submitted,

Gerry Berezuk
Acting Deputy Minister and Chairperson of
the Land Management Services Advisory Board

102-00403/

LMS

LAND MANAGEMENT SERVICES

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September 12, 2001

Gerry Berezuk
Acting Deputy Minister
Manitoba Government Services
332 Legislative Building
Winnipeg MB R3C 0V8

Dear Mr. Deputy Minister:

It is with great pleasure that I present the Sixth Annual Report of Land Management Services Agency (LMS) for the fiscal year ended March 31, 2001.

This report provides an overview of the Agency and outlines our accomplishments during our sixth year (2000/2001) as a Special Operating Agency (SOA).

LMS's sixth year was highlighted by continued stable sales, not only to the Province, but to Municipal Governments as well. The Agency continued to develop client services, providing online reporting for clients.

The management and staff of LMS have worked together to make the Agency an efficient customer oriented organization providing clients with timely cost-effective services. The staff is to be commended for their professionalism and dedication to customer service.

Respectfully submitted,

R.P. Csversko, AACI
A/Chief Operating Officer

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Land Management Services is committed to providing quality comprehensive land management services to various levels of Government Departments, Boards, Commissions, Corporations and Agencies.

OUR MISSION

To provide comprehensive and economical Land Management Services to various levels of Government Departments, Boards, Commissions, Corporations and Agencies.

OUR GOAL

To be the prime supplier of centralized, one-stop shopping real estate services to the Manitoba Public Sector in a timely and cost effective manner, using an optimal blend of internal and external resources.

OUR OBJECTIVES

- To be a proactive participant in identifying properties surplus to Government requirements;
- To prepare and market for sale, properties identified as surplus to Government requirements;
- To review the appropriateness of assessments levied against Government properties and file appeals as required;
- To provide efficient and effective property management services that offer better value for money than clients could otherwise achieve;
- To achieve financial and other performance targets as the Minister of Transportation and Government Services may from time-to-time decide, through consultation with the Deputy Minister and the Assistant Deputy Minister;
- To run Agency operations, as far as practical, according to best business practices;
- To maintain and renew equipment and other assets, in light of operational needs, using appropriate methods of investment;
- To follow best public and private sector employment practices and to improve staff involvement to the greatest degree practicable, in all aspects of operations;
- To continually assess the Agency's policies and procedures in relation to overall efficiency and effectiveness.

On behalf of the management and staff, I am pleased to report on the activities, challenges and opportunities of Land Management Services (LMS).

2000/2001 represents the sixth year of operation for LMS as a Special Operating Agency (SOA).

During the year LMS identified three critical factors as being significant to the continued success of the Agency; succession planning, staffing and LMS's ability to continue assessment review audits on behalf of client departments. Treasury Board has recognized succession planning as being critical to all of Central Government and has approved LMS staffing requests. The proposed LMS Assessment Review Audit has been submitted to Treasury Board, any changes directed by Treasury Board will be undertaken in the new year.

The fee structure approved by Treasury Board the previous year in conjunction with successful assessment review audits has generated a cost saving to central government of $1,330,000.

Highlights Of The Year

The Notes Application for Land Management Services (NALMS) reporting project for client access to current information over the internet has been completed and allows on line project reporting upon request.

In co-operation with the City of Winnipeg and on behalf of the University of Manitoba, LMS achieved an assessment reduction of $98,000,000 for the Fort Garry Campus that resulted in a refund to the University of $6,000,000 for the years 1996 through 1998.

LMS continues to play a major role in the acquisition of land for the Department of Conservation in the Red River Valley, with the Community Ring Dike projects and the voluntary buy out program in the St. Mary's Road, Greenview Road and Howden Road areas. LMS is also represented on the working group that has been formed to address the future of any proposed changes to the Red River Flood Way.

The Agency has undertaken a new service that provides for the contracting and supervision of clean up on land purchased where improvements will be subsequently sold and removed. To date there have been 4 demolition projects and 13 restorations of building sites. The proceeds obtained this year are third best over the last six years.

LMS attained a net income of $927.6 compared to a budgeted net income of $537.6. This surplus is directly attributed to LMS's assessment review for the University of Manitoba Fort Garry Campus.

We again acknowledge the contribution of our staff who work hard to assist in our success. We also acknowledge the strong support and guidance received from our senior management. The continued support of our clients and stakeholders is appreciated and acknowledged while we continually strive to provide better service.

Rae P. Csversko
A/Chief Operating Officer

REVIEW OF OPERATIONS

The 2000/2001 fiscal year was one of challenges and opportunities for LMS. This resulted in LMS's staff and management team prioritizing the major issues and goals to be achieved. LMS realized all objectives set out in the Business Plan would not be attained, therefore a concentrated effort to identify, focus and achieve the most important objectives were paramount to the success of the Agency. This resulted in LMS meeting and exceeding the majority of Business Plan objectives and implementing plans of action that will result in reaping long term benefits. The Agency has achieved exceptional financial results for this fiscal year and laid the foundation for continuing success in providing excellent services for the future.

SYSTEMS: INFORMATION AND TECHNOLOGY PLAN

Data conversion of the 48,000 legal pockets to be scanned in over a four year period and completed by the year 2003 continues. The original estimate of five pages of information requiring scanning per pocket at the beginning of the project was vastly underestimated based on the legal pockets currently being processed. The number of pages scanned per legal pockets for the year 1999/2000 averaged 15 pages, this fiscal year averaged 17 pages, with the last quarter averaging 24 pages per pocket, converting to a 480% increase in volume. Even though there has been a significant increase in the actual volume, the Agency believes the goal will be met in 2003.

As listed in the Business Plan for 2000/2001, LMS has installed the IBM AS400 server to provide better search engines and faster performance. A Highway Reporting Module has been developed and implemented that allows the client to access and obtain reports of current files by way of the Internet. Reports on individual and area performance are also in place. The project to transfer information from CD containing scanned images from legal pockets, to accessible hard drives has been put on hold.

Significant problems have developed in meshing Desktop – PDN with LMS's web service and internal programs. This has resulted in an unstable environment and costly maintenance in providing continued service. A plan of action has been developed in conjunction with Information and Technology Services and is currently being implemented. The goal of this plan is to stabilize the system, lower operating costs and have in-house expertise that will allow the current system to be entirely located within the Agency's environment, and to utilize Manweb. LMS will then be able to develop and provide better service to both the employees and clients, and capitalize on identified future opportunities.

Human Resources

LMS continues to nurture employee involvement and development, striving to have open lines of communication between staff personnel, management and clients. The Agency fosters the environment for employee development, and implementing ideas or suggestions that will improve efficiencies or services. To fulfill this objective, the Agency has provided a variety of meeting formats to either inform employees of important issues, plans and results of the Agency status or to request their input and views on various issues. In continuing to support employee training and development, LMS has arranged seminars to be taken place in the new fiscal year.

With the looming problem of experienced employees retiring in the near future, and current staff availed of employment opportunities because of their training, the promotion of personal growth has left the Agency in a high vacancy position. LMS management has started the original succession planning process and plans are underway to fulfill current requirements.

Marketing

This is one area the Agency has not performed to expectations. Outside research reports "it costs three times as much to obtain a new client verses keeping an existing client." On this belief, LMS made the decision to concentrate on performance, servicing current client requirements verses stretching beyond its limits trying to develop new markets/clients. It has been identified in the 2001/2002 Business Plan to hire a marketing/communications specialist to help the Agency expand into new markets, develop new clients and to develop a performance measure. This gauge is to be used as an indicator of customer satisfaction, whether the Agency's performance verses client expectations are being fulfilled. The Agency did obtain one new client verses the identified goal of two.

The implementation of reporting current projects on a client requirement basis for Highways was successful. It is anticipated this service will be expanded to other clients adding one more dimension to LMS's dedication to customer service.

OPERATIONAL STATUS

Appraisal And Acquisition Activities

In the 2000/2001 fiscal year, this section served 20 different clients and received 72 requests for new projects. During this fiscal year 49 projects were completed.

A total of 208 properties were acquired for department or agency projects. Of these, 113 were for Manitoba Transportation, 91 for the Water Resources Branch, one for Natural Resources Branch for the Department of Conservation, one for Manitoba Emergency Measures Organization, and one for the Manitoba Public Insurance Corporation. A total of 1,342 acres of land was acquired at a cost of $5,321,354.

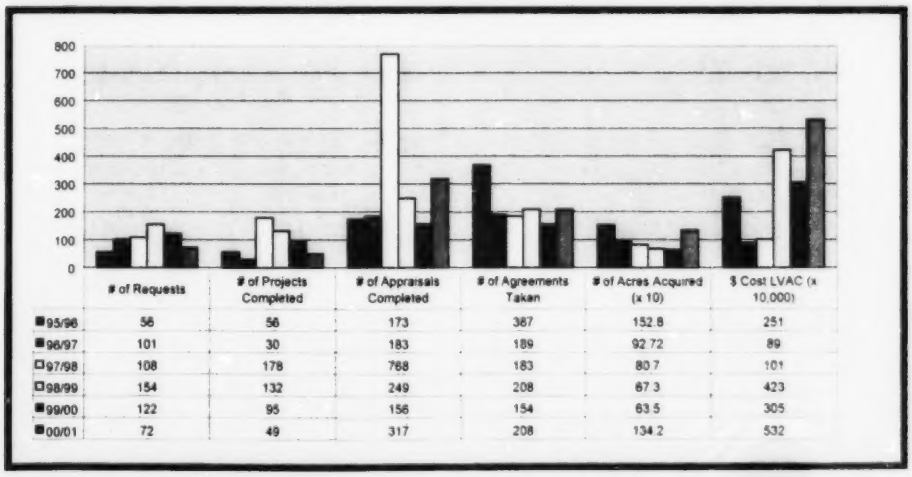
The tax assessment review area has generated recurring favourable results for both clients and LMS, the Agency was able to achieve a refund for the University of Manitoba in the amount of six million ($6,000,000) dollars and generated a total tax assessment reduction for the Fort Garry Campus for the years 1996 to 1998 in the amount of ninety eight million ($98,000,000) dollars.

For the year 2000/01, as indicated below, the number of requests from clients and the number of projects completed are well below the average from the previous five years.

But the number of appraisals completed, the number of agreements taken and the number of acres purchased are the second highest since LMS became an SOA. The value of property purchased this year is the highest levied for all six years.

This is a clear indication that although client requests for services are down, the projects are larger and more complicated than previous years.

Appraisal Statistics



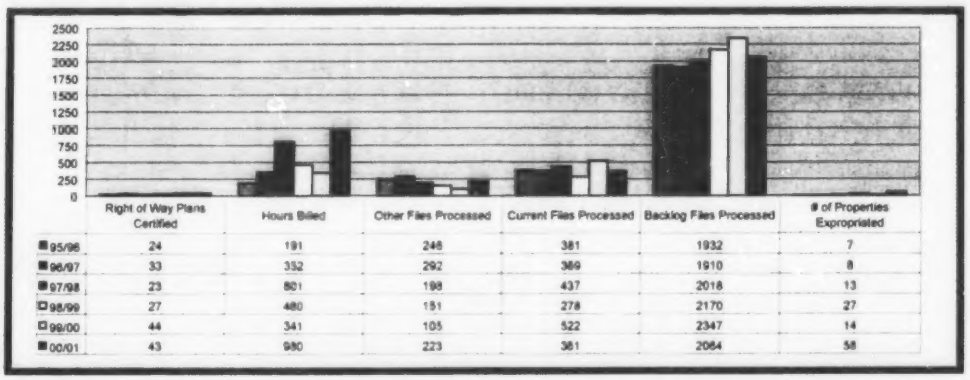
	# of Requests	# of Projects Completed	# of Appraisals Completed	# of Agreements Taken	# of Acres Acquired (x 10)	$ Cost LVAC (x 10,000)
95/96	56	56	173	387	152.8	251
96/97	101	30	183	189	92.72	89
97/98	108	178	768	183	80.7	101
98/99	154	132	249	208	67.3	423
99/00	122	95	156	154	63.5	305
00/01	72	49	317	208	134.2	532

PROCESSING ACTIVITIES

During the fiscal year, the Agency processed 2,425 files of which 361 were current acquisition files and 2,064 were backlog files finalizing 287 registered survey plans. Seven expropriation projects affecting 58 owners were undertaken this year. In addition, 43 survey plans were certified for registration, generating additional backlog files for processing.

The processing section performed 980 hours of work on behalf of client departments and dealt with 223 additional files requiring miscellaneous processing functions at the request of client departments or affected landowners.

Processing Statistics



	Right of Way Plans Certified	Hours Billed	Other Files Processed	Current Files Processed	Backlog Files Processed	# of Properties Expropriated
95/96	24	191	246	381	1932	7
96/97	33	352	292	389	1910	8
97/98	23	801	198	437	2018	13
98/99	27	480	151	278	2170	27
99/00	44	341	105	522	2347	14
00/01	43	980	223	361	2064	58

As indicated by the above table, comparison of this year's operational statistics verses the previous five years indicates steady performance, with 2000/2001 resulting in the average to above average range. These results have been achieved with a staff reduction of 40% over 1995/96 staff compliment for the processing department.

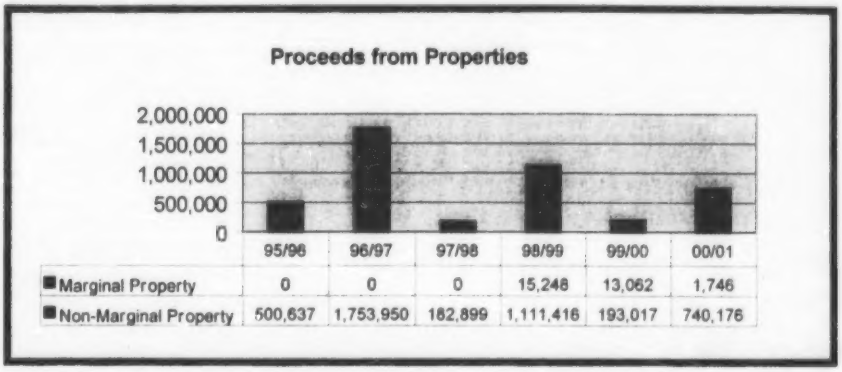
SALES AND LEASING ACTIVITIES

Proceeds of $772,952 were realized from the sale or lease of surplus Government land and buildings on behalf of five client departments during 2000/2001.

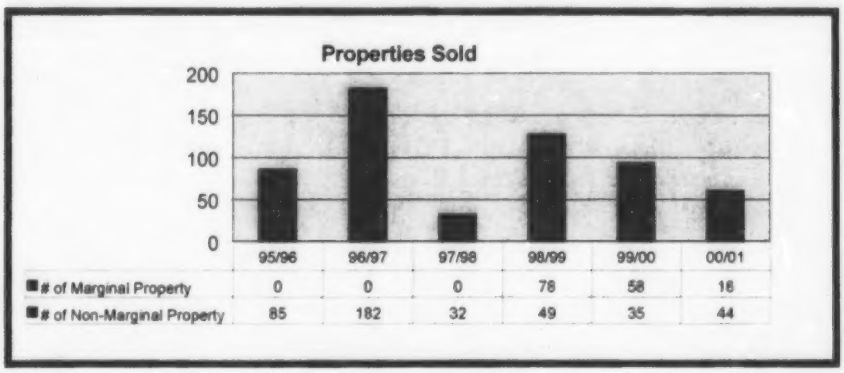
Department activities further include:

- The ongoing conveyance of abandoned railway right-of-way, based on the 1981 and 1987 Gifting Agreements. At the end of 1999/2000, a total of 1,506 parcels have been sold to individuals. Seventy-five (75) of these parcels are pending conveyance to the purchasers because their adjacent land is mortgaged. These files will be finalized as the mortgages are discharged. There has been no change in status during 2000/2001.
- Managing the demolition of residential sites which are surplus to government requirements, including the removal of derelict buildings, building foundations and the restoration of the site to surrounding grade level. During 2000/2001, LMS completed four demolition projects including the restoration of 13 building sites.

Sales And Leasing Statistics



The proceeds obtained for this year from the sale of surplus property is equal to the average of the previous five years and ranks as the third best over the last six years



The number of properties sold for the 2000/2001 fiscal year is on the lower end of the spectrum when compared to the previous five years.

SALE OF SURPLUS PROPERTY

As a resource to central government and its various departments and agencies, Land Management Services' Sales and Leasing department is responsible for arranging the sale of land and/or improvements ("surplus properties") no longer required for the purpose for which they were acquired. The policies governing the disposal of surplus properties are directed by Treasury Board and set out under the General Manual of Administration PG-20-03.

Many Government departments and agencies have limited staff resources and thereby are not staffed sufficiently to undertake this initiative without impacting on their respective program activities. Prior to Treasury Board approving a funding source, at the recommendation of Land Management Services, departments and agencies were required to allocate funding from program budgets to pay the Sales and Leasing department's disposal fees to arrange the disposition of their surplus property.

By limiting the number of properties identified as available for disposition, central government faces ongoing annual costs including the payment of grants-in-lieu of property taxes and maintenance responsibilities for those properties not required. By not disposing of surplus property on a timely basis, an opportunity is missed to reduce government's annual budget and to generate revenue to pay down the Provincial debt is delayed. In addition the government continues to risk potential liabilities that are associated with ownership of property.

Additional services provided by the Sales and Leasing department include: the lease of properties not immediately required for client program purposes; preparation of encroachment and easement agreements; and the management and supervision of demolition work on residential buildings/foundations and site restorations.

As part of the Sales and Leasing department's commitment to Agency clients, it continues to investigate opportunities to provide assistance regarding property management services:

- In 1997/98, LMS completed a review of properties subject to the payment of grants-in-lieu of property taxes and the department which has administration over each property. A list of these properties was then distributed to the department that has administration over the property requesting a review to identify any properties that were not required for program purposes.
- In 1998/99, Treasury Board approved the annual allocation of $200.0 from Land Management Services retained earnings to cover fees and disbursements incurred to dispose of surplus properties, where the cost to dispose of a property exceeded the value generated by its sale. This initiative was to provide financing not otherwise available by a department that has surplus property and intended to be an incentive to departments and agencies to identify surplus properties for disposal.
- In 2000/01, the Sales and Leasing department successfully completed a pilot project involving the management and supervision of building and foundation demolition, and site restorations. The pilot project provided support services to the Water Branch and Manitoba Emergency Management Organization resulting from the 1997 Red River Flood Protection and Physical Anomalies Programs respectively

FUTURE OUTLOOK & TRENDS

In the mid to late 1950's, the Manitoba Government embarked on three of the largest land acquisition programs in Provincial history. Those projects involved the purchase of land for the Greater Winnipeg Floodway, Bird's Hill Provincial Park and the Perimeter Highway around the City of Winnipeg.

The acquisition programs were undertaken by three separate provincial entities. The land for the Greater Winnipeg Floodway was acquired by a "Floodway Property Committee"; the land for the Bird's Hill Provincial Park was purchased by staff from the "Crown Lands" section of the then Department of Natural Resources; and the Perimeter Highway was purchased by staff in the "Right-of-way" section of the Department of Transportation of the then Department of Public Works.

As each acquisition program progressed, it was determined that there was little consistency in the compensation paid for comparable land, by each entity. In fact, in some cases, the Floodway and Perimeter Highway projects affected the same landowners. However, some of those owners received different compensation from each group for comparable land. It appears the more difficult an owner was to deal with, the greater the compensation paid.

In an effort to bring consistency and uniformity to the process of real estate acquisition by government, The Land Acquisition Act (the Act) was passed into law in 1965. That Legislation created The Land Acquisition Branch (the Branch) and The Land Value Appraisal Commission (the LVAC). The Branch was made responsible for negotiating all land purchases by the Provincial Government, departments and agencies, with the exception of The Manitoba Agricultural Credit Corporation, The Manitoba Development Fund and utilities.

The Act established specific duties and functions to be followed by the Branch when purchasing land for government purposes. The LVAC reviewed all purchases and arbitrated compensation disagreements, to ensure all property owners received fair compensation.

It soon became evident that the new and uniform procedures for purchasing land by government developed a sense of trust in the minds of affected landowners and produced a willingness to negotiate the sale of their property, without the Government resorting to the more costly and often criticized method of expropriating land for Provincial projects.

From its inception, all costs for the staffing and administration of the Branch, other than acquisition costs, were paid from the Consolidated Fund. On April 1, 1995, the Branch was created a Special Operating Agency, known as Land Management Services (LMS), with a mandate to recover all costs for staffing, administration and acquisition from the client department or agency.

The concept of the client funding the staffing and administration costs that is consistent with the private sector have never been fully accepted by the clients and, where possible, to avoid these costs, they have been attempting to circumvent the use of LMS for appraising and purchasing land on behalf of government despite information meetings and marketing brochures that have been distributed to all clients promoting the "One Stop Shopping" for Real Estate Services provided by the Agency. If this trend is permitted to continue, the uniform procedures established by the Land Acquisition Act, for purchasing land by government, as well as the landowners sense of trust to fair and equitable treatment will be lost and future government land acquisition programs will return to the methods that existed in the 1950's, which were perceived to be inequitable and disorganized.

LMS will be retaining the services of a marketing consultant. One of the tasks of this employee will be to promote LMS as a uniform service provider for all of the Provincial Government as anticipated in the Legislation which created the Land Acquisition Branch.

FINANCIAL HIGHLIGHTS – 2000/2001

		2000/2001	1999/2000 (in thousands)
INCOME STATEMENT	Income before expenses	$ 3,178	$ 2,752
	Expenses	$ 2,250	$ 2,544
	Net Income	$ 928	$ 208
BALANCE SHEET	Working Capital	$ 439	($ 168)
	Total Assets	$ 1,946	$ 1,926
	Total Liabilities	$ 974	$ 1,382

PERFORMANCE HIGHLIGHTS – 2000/2001

APPRAISAL	Agreements taken	208	154
	Appraisals completed	317	95
	Expropriations	58	10
PROCESSING	Files processed	2,307	2,662
SALES AND LEASING	Sale of property proceeds [1]	$771,206	$225,267
	Proceeds relinquished [2]	$ 62,000	-
	Proceeds marginal sales	$ 1,746	$ 13,063

[1] *Purchase price (before adjustments for taxes and LMS fees) with net proceeds returned to Consolidated Fund, includes rent for properties leased. Revenue generated is dependent on availability and marketability of properties determined to be surplus by LMS's clientele.*

[2] *Assessed/appraised property values not collected for property(s) transferred between Government Departments and other levels of Governments. This amount is in addition to Sale of property proceeds (1). Properties transferred between Government Departments are normally transferred with the receiving Department paying LMS's disposal fees and not the assessed/appraised value of the property.*

MANAGEMENT DISCUSSION AND ANALYSIS

ACTUAL TO BUDGET FINANCIAL ANALYSIS

REVENUES:

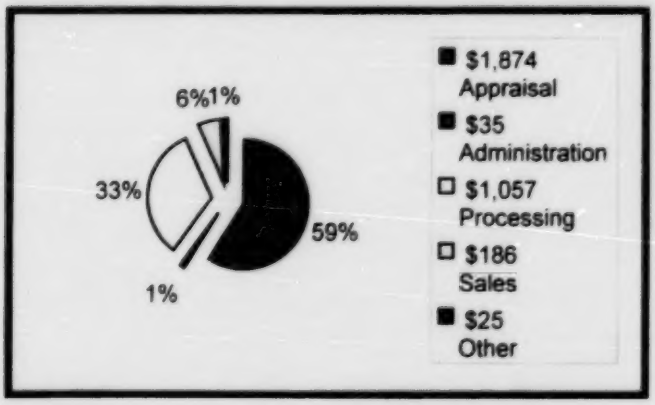
LMS offers professional real estate services on a fee-for-service basis, providing an economical rate structure as compared to the private sector, additionally supplying support activities to its clients which are unavailable from existing private sector services. As described in the operational status, LMS is segmented into four client service departments, the Appraisal section, the Processing (Paralegal) section, the Sales & Leasing section, and Special Projects (Administration) section, which handles special requests or projects whose service requirements are not in the norm of the services provided by the other departments.

Earnings were exceptional for the 2000/2001 fiscal year. The contributing factors for this occurrence were the cumulation of a three year project, and a one time gain resulting from changes in the employee pension actuarial estimates.

Recoveries for the year totaled $3,178, $324 over the budgeted amount of $2,854. The University of Manitoba project was finalized along with the associated recovery, the processing department was granted additional funding to process backlog files (reducing interest cost accumulating for any additional files processed).

The breakdown of the sources of revenues by LMS activity is as follows:

Source of Revenues
(in thousands)



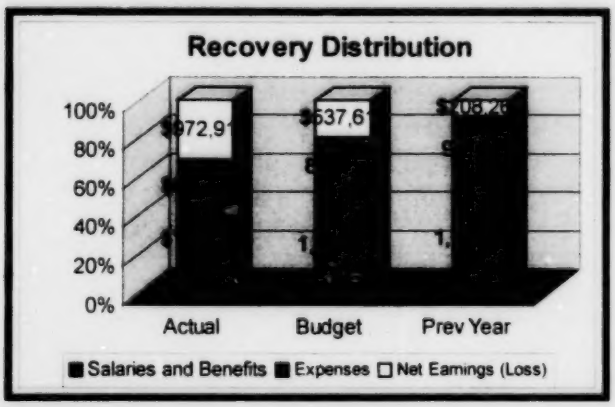
EXPENSES:

Expenses for the 2000/2001 fiscal year were $2,250; $1,384 from salaries and benefits, and $865 from administrative operating expenses. Budget for the year was estimated at $2,316, providing LMS with a favourable variance of $66.

- **Salaries and Benefits:** With the new employee union contract ratified and no estimates for the increases included for the fiscal year budget of $1,456, the year end results should have ended in an unfavourable variance. The actual variance resulted in a positive $72, attributable to vacant positions and the revised actuarial of pension liabilities for a one time reduction in expenses, to offset contractual increases.

- **Administrative Expenses:** The total variation between actual expenditures of $865 and the budget of $860 was on budget.

A major accomplishment was the development of a combined reporting system that analyzes both the finanacial and unit performances of the individual and the department performance to budget on a monthly basis. This provides both management and employees an important tool with the ability to monitor and recognize ongoing individual and departmental progress.



ADVISORY BOARD

Supporting the Initiative: The Advisory Board's role in support of the Agency is to offer advice and direction on short and long-term strategic planning, management and reporting, as well as issues of concern to our customers and to the private and public sectors. The Board meets quarterly to review the Agency's Financial Reports, and annually to review the Business Plan, Annual Report, and any planned changes to the Agency Charter.

Chair		Gerry Berezuk A/Deputy Minister Manitoba Government Services
Secretary		Andy Chartrand Assistant to the Deputy Minister Manitoba Government Services
Members	Private Sector Representatives	Norm Fiske Partner Sill & Company
		Raymond West Retired Chairman of the Board A.E. McKenzie Co. Ltd.
	Client Representatives	John Hosang Assistant Deputy Minister Manitoba Highways & Transportation
		Al Macatavish Retired Vice President, Transmissions and Distributions Manitoba Hydro
	Staff Representative	Fazil Bacchus Property Administrator Land Management Services
	Ex Officio	Tracey Danowski A/Assistant Deputy Minister Manitoba Government Services
	Ex Officio	Rae P. Csversko A/Chief Operating Officer Land Management Services

LAND MANAGEMENT SERVICES LOCATIONS

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Dauphin	27 – 2nd Avenue SW Dauphin MB R7N 3E5	Phone: Fax: Email:	(204) 622-2045 (204) 638-6428 efroese@gov.mb.ca

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Normand LeNeal Finance Officer	(204) 239-3522	nleneal@gov.mb.ca
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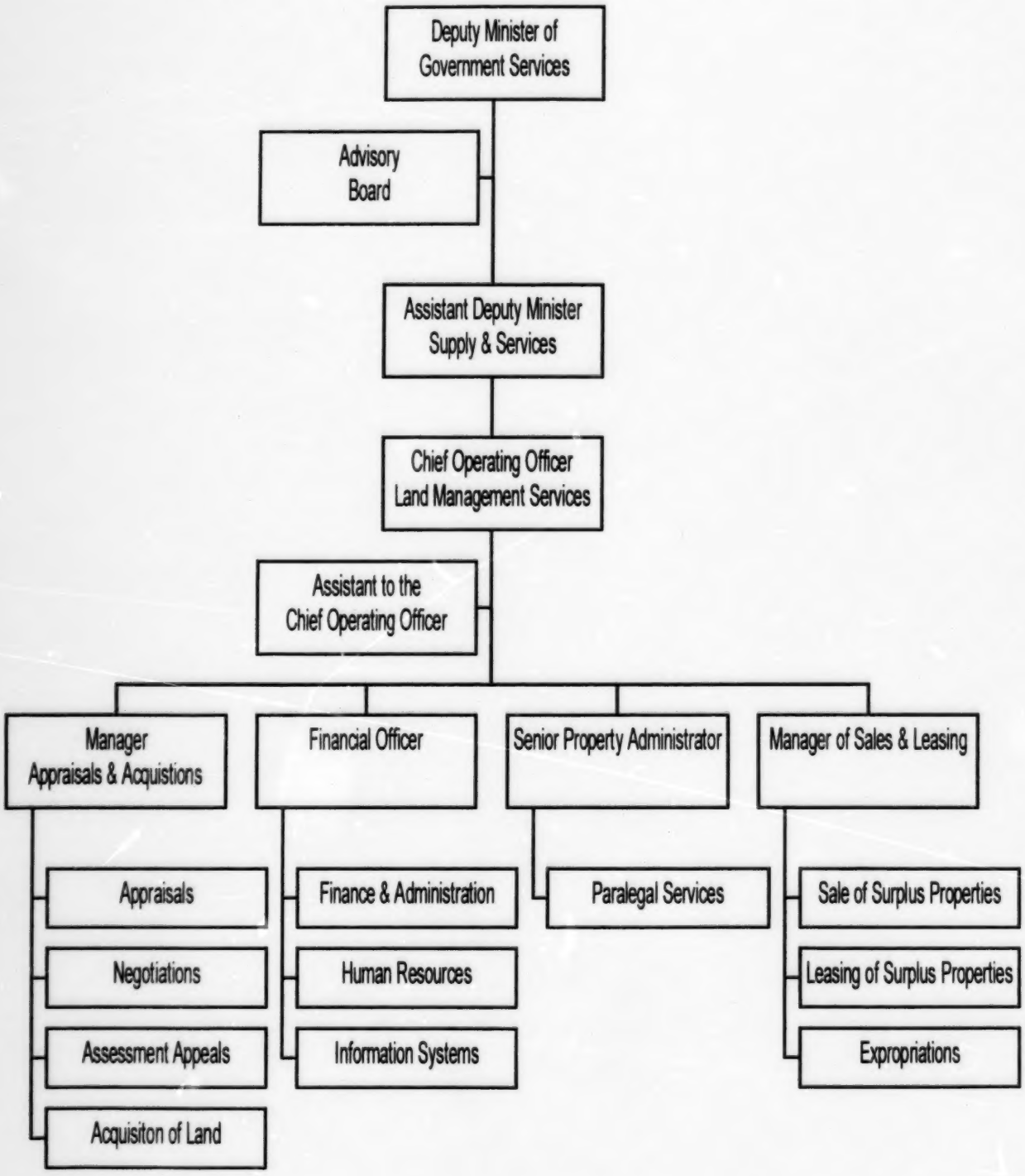
Rod Kent Manager of Property Administration	(204) 239-3526	rkent@gov.mb.ca
Garry Dyck Senior Property Administrator	(204) 239-3538	gadyck@gov.mb.ca

ORGANIZATION CHART



FINANCIAL STATEMENTS

APPENDIX "A"
(Magnus & Buffie)

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2001

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

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MARCH 31, 2001

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MAGNUS & BUFFIE
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Special Operating Agencies Financing Authority

We have audited the balance sheet of Land Management Services, an Agency of the Special Operating Agencies Financing Authority, Province of Manitoba as at March 31, 2001 and the statements of income and retained earnings and cash flow for the year then ended. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Agency as at March 31, 2001 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Magnus & Buffie

June 6, 2001

CHARTERED ACCOUNTANTS

906 – 386 BROADWAY • WINNIPEG, MANITOBA • R3C 3R6 • PHONE (204) 942-4441 • FAX (204) 944-0400

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

BALANCE SHEET
(in thousands)
MARCH 31, 2001

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and short term deposits	$ 899	$ -
Accounts receivable	206	439
Work in process	69	92
Prepaid expenses	9	21
	1,183	552
TERM DEPOSITS (Note 6)	-	385
RECEIVABLE FROM PROVINCE OF MANITOBA (Notes 3 and 7)	324	324
DEFERRED CONTRIBUTION - PROVINCE OF MANITOBA (Note 6)	-	68
CAPITAL ASSETS (Note 4)	439	597
	$ 1,946	$ 1,926
LIABILITIES		
CURRENT LIABILITIES		
Working capital payable (Note 5)	$ -	$ 271
Accounts payable and accrued liabilities	272	365
Accounts payable - Province of Manitoba (Note 6)	396	-
	668	636
LONG TERM LIABILITIES		
Accrued pension liability (Note 6)	-	451
Severance pay liability (Note 7)	229	209
	229	660
FUNDS HELD IN TRUST	77	86
	974	1,382
EQUITY		
RETAINED EARNINGS	972	544
	$ 1,946	$ 1,926

STATEMENT OF INCOME AND RETAINED EARNINGS
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
RECOVERIES	$ 3,153	$ 2,736
OTHER INCOME	25	16
INCOME BEFORE EXPENSES	3,178	2,752
EXPENSES		
Administrative (Page 9)	745	836
Operating (Page 9)	120	129
Wages and benefits	1,385	1,579
	2,250	2,544
NET INCOME FOR THE YEAR	928	208
RETAINED EARNINGS, beginning of year	544	836
	1,472	1,044
REVENUE SHARING - PROVINCE OF MANITOBA	500	500
RETAINED EARNINGS, end of year	$ 972	$ 544

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

STATEMENT OF CASH FLOW
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
CASH FLOW FROM (USED IN)		
OPERATING ACTIVITIES		
Net income for the year	$ 928	$ 208
Adjustments for		
Amortization	192	175
Severance pay expense	20	10
Loss on disposal of fixed assets	-	32
	1,140	425
Changes in non-cash working capital balances		
Accounts receivable	233	78
Accounts receivable - Province of Manitoba	-	(72)
Work in process	23	139
Prepaid expenses	12	218
Accounts payable and accrued liabilities	303	(229)
	1,711	559
FINANCING ACTIVITIES		
Change in accrued pension liability (Note 6)	(451)	165
Revenue sharing - Province of Manitoba	(500)	(500)
Change in funds held in trust	(9)	54
	(960)	(281)
INVESTING ACTIVITIES		
Capital Asset Additions	(34)	(258)
Change in term deposits	385	(99)
Change in deferred contribution - Province of Manitoba	68	-
	419	(357)
CHANGE IN CASH AND SHORT TERM DEPOSITS	1,170	(79)
CASH AND SHORT TERM DEPOSITS, beginning of year	(271)	(192)
CASH AND SHORT TERM DEPOSITS, end of year	$ 899	$ (271)

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2001

1. NATURE OF ORGANIZATION

In 1965, The Land Acquisition Act was passed into law, bringing the Land Acquisition Branch into existence to provide a consistent process of real estate acquisition by government

Effective April 1, 1995, the Land Acquisition Branch, under the operating name Land Management Services ("LMS"), was designated as a Special Operating Agency pursuant to The Special Operating Agencies Financing Authority Act, Cap. s185, C.C.S.M. and operates under a charter approved by the Lieutenant Governor in Council.

LMS is financed through the Special Operating Agencies Financing Authority (SOAFA). The Financing Authority has the mandate to hold and acquire assets required for and resulting from LMS operations. It finances LMS through repayable loans and working capital advances. The financial framework provides increased management authority which, coupled with more rigourous planning and reporting requirements afforded by Special Operating status, assist LMS to sustain the provision of high quality land acquisition services to its clients.

A Management Agreement between the Financing Authority and the Minister of Government Services assigns responsibility to LMS to manage and account for LMS related assets and operations on behalf of the Financing Authority.

LMS continues to be part of Manitoba Government Services under the general direction of the Assistant Deputy Minister, and ultimately the policy direction of the Deputy Minister and Minister of Transportation and Government Services.

LMS remains bound by relevant legislation and regulations. It is also bound by administrative policy except where specific exemptions have been provided for in its charter in order to meet business objectives.

LMS is economically dependent on the Province of Manitoba because it derives most of its revenue and all of its financing requirements from the Province through the Financing Authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LMS have been prepared in accordance with generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Capital Assets

Capital assets are recorded at cost and are amortized annually at the following rates and bases:

Computer software and equipment	20% straight line basis, 10% in year of acquisition
Equipment - office	20% straight line basis, 10% in year of acquisition

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2001

3. RECEIVABLE FROM PROVINCE OF MANITOBA (Note 7)

The receivable from the Province of Manitoba is for vacation entitlements earned by the employees of the Agency prior to creation of the Special Operating Agency and severance pay benefits prior to April 1, 1998. The balance is comprised of:

	2001	2000
Vacation entitlements	$ 132	$ 132
Severance pay benefits	192	192
	$ 324	$ 324

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net Book Value 2001	Net Book Value 2000
Computer software and equipment	$ 985	$ 568	$ 417	$ 580
Equipment - office	52	30	22	17
	$ 1,037	$ 598	$ 439	$ 597

5. WORKING CAPITAL

LMS has an authorized line of working capital of $800, none of which was accessed at March 31, 2001 (2000 - $271)

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2001

6. ACCRUED PENSION LIABILITY

Employees of the Agency are eligible for pension benefits in accordance with provisions of The Civil Service Superannuation Act. The Agency has recorded an obligation for the pension benefits earned by its employees from the date of designation as a Special Operating Agency (SOA). The methodology for calculating the liability has been determined in conjunction with the Province of Manitoba (Province), which accepts responsibility for pension liability for prior service, as well as for any variance resulting from the calculation.

The Agency deposited an amount equal to the employer's share of the pension liability in a separate investment account.

The Agency restated its pension liability as at March 31, 1999 to an indexed basis to be consistent with revised Provincial policy. An error in the original methodology also caused the previous calculation to be understated. The Province assumed responsibility for these liability changes. The resulting increase of $68 in pension obligation as at March 31, 1999 has been offset by recording a receivable entitled "Deferred Contributions - Province of Manitoba". The comparative figures have been restated to reflect the change. There was no effect on pension benefit expense for the year ended March 31, 2000.

An actuarial valuation of the Agency's pension liability to its employees from the date of designation as a SOA was recently completed. The report calculated the pension liability as at March 31, 2000 and provided a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated on an indexed basis to be $464 as at March 31, 2001 (2000 - $451).

As at March 31, 2001, the Province has assumed responsibility for administering the SOA's pension liabilities. Accordingly, the pension liability net of the deferred contributions from the Province was reclassified as accounts payable. The Agency will transfer funds equal to the net amount to the Province during the year ending March 31, 2002.

7. SEVERANCE PAY LIABILITY

Effective April 1, 1998, the Agency began recording accumulated severance pay benefits for its employees. The estimate of the liability is based on the method of calculation set by the Province.

The Province has accepted responsibility for the severance benefits accumulated by the Agency's employees to March 31, 1998. Accordingly, the opening severance pay liability balance as at April 1, 1998 calculated at $188 was completely offset by a receivable from the Province. There are no fixed terms for payment.

Am actuarial valuation report of the Agency's severance as at March 31, 2000 was recently completed. The liability as at March 31, 2000 was restated to $209 and the receivable from the Province was restated to $192 as a result of the actuarial valuation. There was no effect on the severance benefit expense for the year ended March 31, 2000. The report provides a formula to update the liability on an annual basis. In accordance with the formula, the Agency's actuarial liability has been calculated to be $229 as at March 31, 2001.

NOTES TO FINANCIAL STATEMENTS
(in thousands)
MARCH 31, 2001

8. LEASE COMMITMENTS

The Agency has not entered into a lease agreement with the Province of Manitoba for rental facilities at 25 Tupper Street N. Occupancy charges for the year ending March 31, 2002 are estimated to be $98 (2001 - $98).

The Agency is also leasing computers from the Province of Manitoba under the Desktop Program. The leases expire in December 2003, with future estimated lease payments as follows:

Year	Amount
2002	$ 62
2003	62
2004	47
	$ 171

9. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to classifications used in the current year.

LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SCHEDULE OF EXPENSES
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2001

	2001	2000
ADMINISTRATIVE		
Amortization	$ 192	$ 175
Computer maintenance	276	276
Contributed services	17	101
Human resources overhead	18	18
Occupancy costs	108	117
Other	15	39
Supplies	109	101
Training	10	9
	$ 745	$ 836
OPERATING		
Printing, postage and advertising	$ 22	$ 23
Professional fees	16	36
Telephone	29	34
Travel	53	36
	$ 120	$ 129

SCHEDULE OF PUBLIC SECTOR COMPENSATION DISCLOSURE
(in thousands)
FOR THE YEAR ENDED MARCH 31, 2001

The Public Sector Compensation Disclosure Act requires all publicly funded bodies to disclose compensation to any employee or board member when such compensation exceeds $50,000 per annum. This information follows:

EMPLOYEE	TITLE	COMPENSATION 2001	2000
Doug Parnell	Chief Operating Officer	$ -	$ 77
Raeburn Csversko	Acting Chief Operating Officer	65	61
Garfield Minkus	Property Appraiser	55	57
Wes Shewchuk	Property Appraiser	56	53
Scott Millar	Property Appraiser	54	53
Richard Staub	Property Appraiser	54	54
Jerry McLeod	Property Appraiser	-	50
Normand Le Neal	Controller	51	-

FINANCIAL STATEMENTS

APPENDIX "B"

(Magnus & Buffie – Sale of Surplus Properties)

LAND MANAGEMENT SERVICES
FINANCIAL STATEMENTS
MARCH 31, 2001

MAGNUS & BUFFIE

CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To Land Management Services

We have audited the statement of receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2001. This financial statement is the responsibility of the Agency's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, this financial statement presents fairly, in all material respects, the receipts and disbursements of the Sale of Surplus Properties for the year ended March 31, 2001, in accordance with generally accepted accounting principles.

Magnus & Buffie

June 6, 2001

CHARTERED ACCOUNTANTS

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LAND MANAGEMENT SERVICES
AN AGENCY OF THE SPECIAL OPERATING AGENCIES FINANCING AUTHORITY
PROVINCE OF MANITOBA

SALE OF SURPLUS PROPERTIES
STATEMENT OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED MARCH 31, 2001

Total receipts	$	621,156
Total disbursements		332,317
Excess of receipts over disbursements	$	288,839

NOTE TO STATEMENT OF RECEIPTS AND DISBURSEMENTS
MARCH 31, 2001

REPORTING ENTITY

In 1988, a program submission to the Government to identify and market land surplus to Government needs was approved.

The program was designed to relieve Government departments of the financial burden of marketing and disposal. Proceeds from the sale of surplus properties for all departments are held in trust with all marketing and disposal costs paid from the proceeds. Any surplus of proceeds over costs are returned to the consolidated fund annually.